

EXHIBIT

INTRODUCTION

Respondent Mid-Valley Engineering, Inc. (hereafter "Mid-Valley") is an engineering firm located in Modesto. Mid-Valley does general engineering work, which includes contracts with businesses appearing before the Modesto City Council and other agencies for development permits and approvals. Mid-Valley is owned by Kirk and Cathy DeLaMare, and is a California corporation headquartered in Modesto, California.

Between September 1997 and October 1999, Respondent Mid-Valley reimbursed twenty of its employees for making 112 campaign contributions to local candidates and officials. Reimbursing another person for making a campaign contribution is commonly referred to as "campaign money laundering," and violates Government Code sections 84301 and 84300, subdivision (c) of the Political Reform Act.

For the purposes of this Stipulation, Respondent's violations of the Political Reform Act ("the Act")¹ are stated as follows:

- COUNTS 1 - 14: Between September 11, 1997 and November 17, 1997, Respondent Mid-Valley Engineering, Inc. made fourteen (14) contributions, totaling \$1,386.00, to Modesto City Council candidate Dan Thayer, in names other than its own name in violation of Sections 84301 and 84300(c).
- COUNTS 15 - 46: Between September 19, 1997 and October 26, 1999, Respondent Mid-Valley Engineering, Inc. made thirty-two (32) contributions, totaling \$5,175.00, to Modesto City Council candidate William Conrad, in names other than its own name in violation of Sections 84301 and 84300(c).
- COUNTS 47 - 59: Between August 7, 1999 and September 22, 1999, Respondent Mid-Valley Engineering, Inc. made thirteen (13) contributions, totaling \$2,039.00, to Modesto City Council candidate Pat Dobbs, in names other than its own name in violation of Sections 84301 and 84300(c).
- COUNTS 60 - 72: Between September 7, 1999 and October 20, 1999, Respondent Mid-Valley Engineering, Inc. made thirteen (13) contributions, totaling \$1,287.00, to Modesto City Council candidate Kenni Friedman, in names other than its own name in violation of Sections 84301 and 84300(c).
- COUNTS 73 - 83: Between October 17, 1999 and October 20, 1999, Respondent Mid-Valley Engineering, Inc. made eleven (11) contributions, totaling \$1,089.00, to Modesto City Council candidate Timothy Fisher, in names other than its own name in violation of Sections 84301 and 84300(c).

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All references to "Section(s)" are to the aforementioned Government Code unless otherwise indicated. Commission regulations appear at Title 2, California Code of Regulations, Section 18109, *et seq.*

- COUNTS 84 - 87: On or about October 26, 1999, Respondent Mid-Valley Engineering, Inc. made four (4) contributions, totaling \$2,000.00, to Modesto City Council candidate Richard Lang, in names other than its own name in violation of Sections 84301 and 84300(c).
- COUNTS 88 - 90: On or about August 3, 1998, Respondent Mid-Valley Engineering, Inc. made three (3) contributions, totaling \$298, to Oakdale City Council candidate Britta Skavdahl, in names other than its own name in violation of Sections 84301 and 84300(c).
- COUNTS 91 - 98: Between August 30, 1998 and October 16, 1998, Respondent Mid-Valley Engineering, Inc. made eight (8) contributions, totaling \$792.00, to Oakdale City Council candidate Pat Kuhn, in names other than its own name in violation of Sections 84301 and 84300(c).
- COUNTS 99 - 106: Between August 13, 1998 and October 16, 1998, Respondent Mid-Valley Engineering, Inc. made eight (8) contributions, totaling \$792.00, to Oakdale City Council candidate Elmo Garcia, in names other than its own name in violation of Sections 84301 and 84300(c).
- COUNTS 107 - 112: On or about October 16, 1998, Respondent Mid-Valley Engineering, Inc. made six (6) contributions, totaling \$594.00, to Oakdale City Council candidate Farrell Jackson, in names other than its own name in violation of Sections 84301 and 84300(c).
- RESPONDENT: Mid-Valley Engineering, Inc.

SUMMARY OF THE LAW

The Fair Political Practices Commission is charged with the duty to administer, implement and enforce the provisions of the Political Reform Act of 1974. By enacting the Political Reform Act, California voters specifically found and declared that previous laws regulating political practices had suffered from inadequate enforcement, and that it was their purpose to ensure that the Act be vigorously enforced. (Sections 81001, subdivision (h), and 81002, subdivision (f).)

The purpose of campaign reporting under the Act is that “receipts and expenditures in election campaigns should be fully and truthfully disclosed in order that the voters may be fully informed and improper practices may be inhibited.” (Section 81002, subdivision (a).) Timely and truthful disclosure of the source of campaign contributions is an essential part of the Act’s mandate.

In order to obtain disclosure of the true source of campaign contributions, Section 84301 prohibits contributions from being made, directly or indirectly, by any person in a name other than that by which the contributor is identified for legal purposes.

Section 84300, subdivision (c), prohibits the making of a campaign contribution of one hundred dollars (\$100.00) or more unless the contribution is made by way of a written instrument containing the name of both the actual donor and the real payee.

SUMMARY OF THE FACTS

Respondent Mid-Valley is an engineering firm located in Modesto. Mid-Valley does general engineering work, which includes contracts with businesses appearing before the Modesto City Council and other agencies for development permits and approvals. Mid-Valley is owned by Kirk and Cathy DeLaMare, and is a California corporation headquartered in Modesto, California.

Between September 1997 and October 1999, Respondent Mid-Valley reimbursed twenty of its employees for making 112 campaign contributions to Modesto and Oakdale City Council candidates. Respondent reimbursed its employees for the campaign contributions through the direct issuance of company checks, or through payroll adjustments where the employee received the amount of the contribution plus an additional amount to cover the cost of any withholding taxes. The contributions were generally collected and bundled at Respondent's office, and then delivered in person or by mail to the candidate's committee.

COUNTS 1 - 87: **City of Modesto**

Between September 11, 1997 and October 26, 1999, Respondent Mid-Valley made eighty-seven contributions through intermediaries to six candidates for the Modesto City Council. The laundered contributions totaled \$12,976.00. During this time, Respondent represented clients before the Modesto City Council. The City of Modesto also had an ordinance restricting council members from voting on projects brought by people or firms who contributed \$1,000 or more to the council member's campaign in the previous four years. This is referred to as the "tin cup" rule.

Counts 1 - 14 **Dan Thayer**

Between September 11, 1997 and November 17, 1997, Respondent reimbursed its employees for 14 contributions totaling \$1,386.00 made to Modesto City Council candidate Dan Thayer as follows:

Count	Contribution Date	Employee-Intermediary	Amount	Recipient
1	09/11/97	Dennis Wilson	\$ 99	Dan Thayer
2	09/19/97	Roy Galli	99	Dan Thayer
3	09/25/97	Sharon Rickman-Weeks	99	Dan Thayer
4	10/01/97	Judy Lindsay	99	Dan Thayer
5	10/01/97	John Miller	99	Dan Thayer
6	10/01/97	Manuel Sousa	99	Dan Thayer
7	10/01/97	Kevin Waddell	99	Dan Thayer
8	10/02/97	Rodrick Hawkins	99	Dan Thayer
9	10/02/97	John Mensonides	99	Dan Thayer
10	11/13/97	Dennis Wilson	99	Dan Thayer
11	11/14/97	Roy Galli	99	Dan Thayer
12	11/14/97	Manuel Sousa	99	Dan Thayer
13	11/14/97	Kevin Waddell	99	Dan Thayer
14	11/17/97	Rodrick Hawkins	99	Dan Thayer
		TOTAL	\$1,386	

Counts 15 - 46**William Conrad**

Between September 19, 1997 and October 26, 1999, Respondent reimbursed its employees for 32 contributions totaling \$5,175.00 made to Modesto City Council candidate William Conrad as follows:

Count	Contribution Date	Employee-Intermediary	Amount	Recipient
15	09/19/97	Roy Galli	\$99	William Conrad
16	09/19/97	Dennis Wilson	99	William Conrad
17	10/01/97	Sharon Rickman-Weeks	99	William Conrad
18	10/01/97	Amber Breazeale	99	William Conrad
19	10/01/97	Judy Lindsay	99	William Conrad
20	10/01/97	John Miller	99	William Conrad
21	10/01/97	Manuel Sousa	99	William Conrad
22	10/01/97	Kevin Waddell	99	William Conrad
23	10/02/97	Rodrick Hawkins	99	William Conrad
24	10/02/97	John Mensonides	99	William Conrad
25	11/13/97	Dennis Wilson	99	William Conrad
26	11/14/97	Roy Galli	99	William Conrad
27	11/14/97	Kevin Waddell	99	William Conrad
28	11/14/97	Manuel Sousa	99	William Conrad
29	11/17/97	Rodrick Hawkins	99	William Conrad
30	06/01/99	Amber Breazeale	99	William Conrad
31	06/01/99	Mary Kay Giannini	99	William Conrad
32	06/01/99	Dennis Wilson	99	William Conrad
33	08/25/99	Amber Breazeale	250	William Conrad
34	08/25/99	Nadine Coonce	250	William Conrad
35	08/25/99	Mary Kay Giannini	250	William Conrad
36	08/25/99	John Mensonides	250	William Conrad
37	09/16/99	Mary Kay Giannini	99	William Conrad
38	09/17/99	Amber Breazeale	99	William Conrad
39	09/17/99	Nadine Coonce	99	William Conrad
40	09/17/99	Manuel Sousa	99	William Conrad
41	09/17/99	Kevin Waddell	99	William Conrad
42	09/17/99	Jaime Guerra	99	William Conrad
43	09/18/99	Judy Lindsay	99	William Conrad
44	10/26/99	Amber Breazeale	400	William Conrad
45	10/26/99	Nadine Coonce	500	William Conrad
46	10/26/99	Cathy DeLaMare	800	William Conrad
		TOTAL	\$5,175	

Counts 47 - 59**Pat Dobbs**

Between August 7, 1999 and September 22, 1999, Respondent reimbursed its employees for 13 contributions totaling \$2,039.00 made to Modesto City Council candidate Pat Dobbs as follows:

Count	Contribution Date	Employee- Intermediary	Amount	Recipient
47	08/07/99	Cathy DeLaMare	\$250	Pat Dobbs
48	09/21/99	Dawn Abney	99	Pat Dobbs
49	09/21/99	Amber Breazeale	99	Pat Dobbs
50	09/21/99	Ryan Carrel	99	Pat Dobbs
51	09/21/99	Nadine Coonce	99	Pat Dobbs
52	09/21/99	Judy Lindsay	99	Pat Dobbs
53	09/21/99	John Pronoitis	99	Pat Dobbs
54	09/21/99	Kevin Waddell	99	Pat Dobbs
55	09/22/99	Cathy DeLaMare	700	Pat Dobbs
56	09/22/99	Mary Kay Giannini	99	Pat Dobbs
57	09/22/99	Jaime Guerra	99	Pat Dobbs
58	09/22/99	John Mensonides	99	Pat Dobbs
59	09/22/99	Manuel Sousa	99	Pat Dobbs
		TOTAL	\$2,039	

Counts 60 - 72**Kenni Friedman**

Between September 7, 1999 and October 20, 1999, Respondent reimbursed its employees for 13 contributions totaling \$1,287.00 made to Modesto City Council candidate Kenni Friedman as follows:

Count	Contribution Date	Employee-Intermediary	Amount	Recipient
60	09/07/99	Mary Kay Giannini	\$99	Kenni Friedman
61	10/17/99	Kevin Waddell	99	Kenni Friedman
62	10/19/99	Amber Breazeale	99	Kenni Friedman
63	10/19/99	Nadine Coonce	99	Kenni Friedman
64	10/19/99	Mary Kay Giannini	99	Kenni Friedman
65	10/19/99	Judy Lindsay	99	Kenni Friedman
66	10/19/99	John Mensonides	99	Kenni Friedman
67	10/20/99	Ryan Carrel	99	Kenni Friedman
68	10/20/99	Robert Christensen	99	Kenni Friedman
69	10/20/99	Jaime Guerra	99	Kenni Friedman
70	10/20/99	Sonya Hoff	99	Kenni Friedman
71	10/20/99	John Pronoitis	99	Kenni Friedman
72	10/20/99	Manuel Sousa	99	Kenni Friedman
		TOTAL	\$1,287	

Counts 73 - 83**Timothy Fisher**

Between October 17, 1999 and October 20, 1999, Respondent reimbursed its employees for 11 contributions totaling \$1,089.00 made to Modesto City Council candidate Timothy Fisher as follows:

Count	Contribution Date	Employee- Intermediary	Amount	Recipient
73	10/17/99	Kevin Waddell	\$99	Timothy Fisher
74	10/19/99	Amber Breazeale	99	Timothy Fisher
75	10/19/99	Nadine Coonce	99	Timothy Fisher
76	10/19/99	Mary Kay Giannini	99	Timothy Fisher
77	10/19/99	Judy Lindsay	99	Timothy Fisher
78	10/19/99	John Mensonides	99	Timothy Fisher
79	10/20/99	Ryan Carrel	99	Timothy Fisher
80	10/20/99	Robert Christensen	99	Timothy Fisher
81	10/20/99	Manuel Sousa	99	Timothy Fisher
82	10/20/99	Sonya Hoff	99	Timothy Fisher
83	10/20/99	John Pronoitis	99	Timothy Fisher
		TOTAL	\$1,089	

Counts 84 - 87**Richard Lang**

On October 26, 1999, Respondent reimbursed its employees for 4 contributions totaling \$2,000.00 made to Modesto City Council candidate Richard Lang as follows:

Count	Contribution Date	Employee-Intermediary	Amount	Recipient
84	10/26/99	Amber Breazeale	500	Richard Lang
85	10/26/99	Nadine Coonce	500	Richard Lang
86	10/26/99	Charlotte Raymond	500	Richard Lang
87	10/26/99	Manuel Sousa	500	Richard Lang
		TOTAL	\$2,000	

COUNTS 88 - 112:**City of Oakdale**

Between August 3, 1998 and October 16, 1998, Respondent Mid-Valley made twenty-five contributions through intermediaries to four different candidates for the Oakdale City Council. The laundered contributions totaled \$2,476.00. During this time period, Respondent represented clients before the Oakdale City Council.

Counts 88 - 90**Britta Skavdahl**

On or about August 3, 1998, Respondent reimbursed its employees for 3 contributions totaling \$298.00 made to Oakdale City Council candidate Britta Skavdahl as follows:

Count	Contribution Date	Employee-Intermediary	Amount	Recipient
88	08/03/98	Amber Breazeale	\$ 99	Britta Skavdahl
89	08/03/98	Roy Galli	100	Britta Skavdahl
90	08/03/98	Dennis Wilson	99	Britta Skavdahl
		TOTAL	\$ 298	

Counts 91 - 98**Pat Kuhn**

Between August 30, 1998 and October 16, 1998, Respondent reimbursed its employees for 8 contributions totaling \$792.00 made to Oakdale City Council candidate Pat Kuhn as follows:

Count	Contribution Date	Employee-Intermediary	Amount	Recipient
91	08/30/98	Dennis Wilson	\$ 99	Pat Kuhn
92	10/16/98	Amber Breazeale	99	Pat Kuhn
93	10/16/98	Nadine Coonce	99	Pat Kuhn
94	10/16/98	Cathy DeLaMare	99	Pat Kuhn
95	10/16/98	Judy Lindsay	99	Pat Kuhn
96	10/16/98	John Mensonides	99	Pat Kuhn
97	10/16/98	Manuel Sousa	99	Pat Kuhn
98	10/16/98	Kevin Waddell	99	Pat Kuhn
		TOTAL	\$ 792	

Counts 99 - 106**Elmo Garcia**

Between August 13, 1998 and October 16, 1998, Respondent reimbursed its employees for 8 contributions totaling \$792.00 made to Oakdale City Council candidate Elmo Garcia as follows:

Count	Contribution Date	Employee-Intermediary	Amount	Recipient
99	08/13/98	Roy Galli	\$ 99	Elmo Garcia
100	08/17/98	Dennis Wilson	99	Elmo Garcia
101	10/16/98	Amber Breazeale	99	Elmo Garcia
102	10/16/98	Nadine Coonce	99	Elmo Garcia
103	10/16/98	Cathy DeLaMare	99	Elmo Garcia
104	10/16/98	Judy Lindsay	99	Elmo Garcia
105	10/16/98	Manuel Sousa	99	Elmo Garcia
106	10/16/98	Kevin Waddell	99	Elmo Garcia
		TOTAL	\$ 792	

Counts 107 - 112**Farrell Jackson**

On or about October 16, 1998, Respondent reimbursed its employees for 6 contributions totaling \$594.00 made to Oakdale City Council candidate Farrell Jackson as follows:

Count	Contribution Date	Employee-Intermediary	Amount	Recipient
107	10/16/98	Amber Breazeale	\$ 99	Farrell Jackson
108	10/16/98	Nadine Coonce	99	Farrell Jackson
109	10/16/98	Cathy DeLaMare	99	Farrell Jackson
110	10/16/98	Judy Lindsay	99	Farrell Jackson
111	10/16/98	Manuel Sousa	99	Farrell Jackson
112	10/16/98	Kevin Waddell	99	Farrell Jackson
		TOTAL	\$ 594	

CONCLUSION

Making campaign contributions in other than one's own name is one of the more serious violations of the Act. It undermines one of the basic purposes of disclosing important information to the voting public regarding the true source of campaign support and contributions. Respondent committed 112 violations of the Act, by laundering campaign contributions totaling over \$15,000 over a 2-year period to various local officials and candidates. Respondent used its employees to carry out the laundering scheme.

Respondent reimbursed its employees for a large number of contributions made in local elections. Most of these contributions were in the amount of \$99, an amount just under the threshold of \$100 that triggers the requirement that the contributor's occupation and employer must be identified on the recipient's campaign statements. This tactic further obscured the financial support being given to the candidates by Mid-Valley, and made detection of this laundering scheme more difficult.

Respondent represented developers and builders, and appeared before the various local elected bodies on behalf of its clients. In addition, the repeated nature of the violations over the course of several years indicates a pattern of laundering activity rather than an isolated incident. Furthermore, most of the contributions were laundered in the City of Modesto, where campaign contributions are limited.

In mitigation, Respondent Mid-Valley has not previously been found to have violated the Act, and has cooperated fully with the Commission's investigation in this matter. Respondent's corporate officers admitted the violations at an early stage of the investigation. At that time, they told investigators they did not understand that the reimbursements they had made were illegal.

Respondent also provided numerous financial and business documents in response to Enforcement Division requests. Respondent voluntarily disclosed information to Enforcement

Division staff regarding reimbursements for contributions, which would not otherwise have been discovered.

This matter consists of one hundred and twelve (112) counts, which carries a maximum possible administrative penalty of Two Hundred and Twenty Four Thousand Dollars (\$224,000.00). The facts of the case justify imposition of the agreed upon administrative penalty of One Hundred and Eighty Five Thousand and Four Hundred Dollars (\$185,400.00).